



RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2013 OCT - 1 P 3:46

ORIGINAL

BOB STUMP
CHAIRMAN

AZ CORP COMMISSION
DOCKET CONTROL

GARY PIERCE
COMMISSIONER

BRENDA BURNS
COMMISSIONER

SUSAN BITTER SMITH
COMMISSIONER

BOB BURNS
COMMISSIONER

Arizona Corporation Commission

DOCKETED

OCT 07 2013

DOCKETED BY

IN THE MATTER OF THE JOINT)
APPLICATION OF NORTH MOHAVE)
VALLEY CORPORATION AND EPCOR)
WATER ARIZONA INC. FOR APPROVAL OF)
THE SALE OF ASSETS AND TRANSFER OF)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY)

DOCKET NO. W-02259A-13-0138

DOCKET NO. W-01303A-13-0138

**NOTICE OF FILING EXCEPTIONS TO
RECOMMENDED OPINION AND ORDER**

North Mohave Valley Corporation and EPCOR Water Arizona Inc. (together, the "Applicants") file the following exceptions to the Recommended Opinion and Order filed in the above-captioned proceeding on September 27, 2013 ("ROO").

The Applicants have reviewed the ROO and believe that it accurately summarizes this proceeding and the positions of the Applicants and of Commission Staff. The Applicants appreciate the Hearing Division's attention to this matter and the prompt manner in which the Applicants' request was heard. The Applicants are also grateful for Staff's analysis of and response to the application filed in this matter and the expedited

1 manner in which Staff prepared its Report. The Applicants are willing to abide by each of
2 the requirements set forth in the Ordering paragraphs of the ROO.

3 The Applicants' sole substantive comment on the ROO concerns Finding of Fact
4 No. 20. In accordance with Staff's recommendation in its Report and at the evidentiary
5 hearing, the ROO recommends the denial of the Applicants' request for approval, in
6 principle, of the recovery of the 10 percent acquisition premium payment in its next rate
7 case for this district. In the application in this matter, the Applicants requested that the
8 Commission "approve, in principle, rate recovery of and on [the additional ten percent of
9 rate base] payment in North Mohave's next rate case." Application at 5. For the reasons
10 discussed below, the Applicants respectfully disagree with this recommended finding and
11 again request that the Commission express its approval of this payment, in principle, in this
12 proceeding with the understanding that the exact quantification for ratemaking purposes
13 would occur in North Mohave's next rate case.

14 The Commission should approve this payment as eligible for recovery in future rate
15 cases, in principle only, to further its policy of encouraging consolidation within the water
16 utility industry in Arizona. Acquisitions like the one being considered in this docket
17 provide many benefits for Arizona consumers but rarely happen. This is due, in large part,
18 to the fact that potential sellers of water systems will very rarely sell at rate base value and
19 potential acquirers are uncertain about whether they will be allowed to recover in customer
20 rates any amount they pay in excess of rate base value. By expressing approval of this
21 payment, the Commission will encourage future acquisitions and create a useful future
22 reference point for both buyers and sellers in this industry. A proposed amendment to the
23 ROO is attached as Exhibit A.

24 ...

25 ...

26 ...

1 RESPECTFULLY SUBMITTED this 7th day of October, 2013.

2 KELLEY MOSS PLLC

3
4 *Matt Bingham* for

5 Jamie Kelley
6 William D. Condray
7 2031 Highway 95
8 Bullhead City, AZ 86442
9 P: (928) 763-6969
10 Attorneys for North Mohave Valley Corporation

11 and

12 LEWIS ROCA ROTHGERBER LLP

13
14 *Matt Bingham*

15 Thomas H. Campbell
16 Matthew Bingham
17 40 North Central Avenue
18 Phoenix, AZ 85004
19 P: (602) 262-5311
20 Attorneys for EPCOR Water Arizona Inc.

21 ORIGINAL and thirteen (13) copies
22 of the foregoing filed this 7th day
23 of October, 2013, with:

24 The Arizona Corporation Commission
25 Utilities Division – Docket Control
26 1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered
this 7th day of October, 2013, to:

Marc Stern, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Charles Hains, Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

1 Matthew Laudone, Counsel
Legal Division
2 Arizona Corporation Commission
1200 W. Washington Street
3 Phoenix, Arizona 85007

4 Steven M. Olea, Director
Utilities Division
5 Arizona Corporation Commission
1200 W. Washington Street
6 Phoenix, Arizona 85007

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

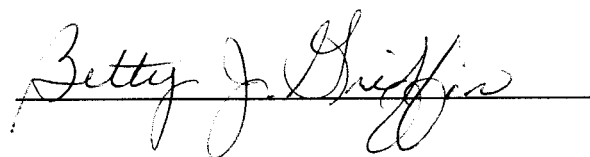
A handwritten signature in cursive script, reading "Betty J. Griffin", is written over a horizontal line.

Exhibit A

Page 5, line 12:

INSERT: "Notwithstanding the forgoing two sentences, we find that the ten percent premium agreed to by the Applicants in this case is in the public interest for the reason that it supports necessary Arizona water industry consolidation."

Page 6, line 17

INSERT: "IT IS THEREFORE ORDERED that the Commission approves, in principle, rate recovery on the additional ten percent of rate base payment in North Mohave's next rate case. The exact quantification for ratemaking purposes should occur in the new North Mohave District's next rate case."